

Washington, Consuela

From: Davi M D'Agostino [DAgostinoD@GAO.GOV]
Sent: Monday, January 14, 2002 3:13 PM
To: Washington, Consuela
Subject: GAO Work on Sept. 11 and Financial Sector Response



Issues requested by
House Fina...



sep 11 work.doc

Dear Consuela,

We have put together the attached documents to build common understandings with our clients on the subject work. One document lays out the work that we see GAO doing under the various related requests. The other document discusses how we would be reporting out on the work. As Linda Rich and I discussed last week, we would report separately to House Financial Services and to House Energy and Commerce, and try to change order of sections of the reports as much as possible so they do not look like exact copies. I plan to send the same documents and basic message to Linda Rich and Lawranne Stewart.

Please call me with any questions or concerns at 512-5431.

Davi

Davi M. D'Agostino

Director,

Financial Markets and Community Investment

USGAO

Requests on Impact of September 11 Attacks on US Financial Markets

Issue	Objectives and Methodology	Requested by
1. Lessons Learned for Disaster Planning	<ul style="list-style-type: none"> • Impact on markets for stocks, bonds, and payment systems • Compilation of lessons learned and extent to which organizations had effective disaster recovery capabilities and what actions are being taken now • Organizations reviewed: SROs (NYSE, Nasdaq, Amex and stock and options exchanges in Chicago and San Francisco), ECNs, brokers, banks 	House Financial Services (Letter: 10/11/01)
2. Impact of Attack on Financial Sector Communication systems	<ul style="list-style-type: none"> • Impact on financial sector telecommunications • Assessment of performance of various communication means • Identification of alternatives for increasing communication system redundancy 	Dingell (Letter: 11/28/01)
3. Physical Security at Key Market Participants	<ul style="list-style-type: none"> • Assessment of security threat assessment and mitigation efforts • NYSE, Nasdaq, Amex, and stock and options exchanges in Chicago and San Francisco 	House Financial Services (Letter: 10/11/01)
4. Electronic Security at Key Market Participants	<ul style="list-style-type: none"> • Assessment of security threat assessment and mitigation efforts • NYSE, Nasdaq, Amex, and stock and options exchanges in Chicago and San Francisco 	Dingell (Letters: 7/11/01; 11/28/01)

Note: GAO will report on these issues separately to the requestors from House Financial Services and House Energy and Commerce

**Proposed Reporting Approach for
GAO Reviews of Financial Market Information System
Contingency Planning and Physical and Electronic Security**

This document describes the approach GAO proposes to use to prepare products addressing (1) the lessons learned for contingency planning for the US financial industry and (2) the procedures the stock and options markets use to address the physical and electronic threats.

Contingency Planning:

- Written product (letter or chapter report) that will discuss:
 - How 9/11 attacks affected (1) stock markets, (2) bond markets, and (3) payment systems
 - Describe the lessons learned or sound practices identified that would allow organizations to better respond and recover from events of this nature and assess the extent to which (1) SROs, (2) ECNs (3) broker-dealers, (4) banks, (5) payment system operators, and (6) communication providers backup facilities and contingency plans addressed these practices and what actions they are now taking
 - Discuss alternatives for increasing the redundancy of the communication systems critical to the financial industry
 - Discuss any lessons learned from the financial industry relevant for organizations with national homeland security responsibilities
- Information will be collected from
 - Listed and over-the-counter stock and options markets in New York, Chicago, San Francisco
 - ECNs, broker-dealers, and banks operating in the New York area
 - Payment system system operators in New York
 - Financial market regulators and federal and state organizations with security responsibilities
- To maintain confidentiality and protect sensitive information, product will be structured with a
 - Body section that presents only aggregated information taken from individual organizations and discloses only publicly-available information and
 - “limited official use” appendix or separate product that provides organization-specific details that would be provided only to (1) Chairman Oxley and Representatives LaFalce, Kanjorski, Dingell, and Markey; (2) SEC and the Federal Reserve; and (3) individual SROs.

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Physical and Electronic Security:

- Written product (letter or chapter report) that will discuss:
 - How stock, options, and key market support organizations (clearinghouses and depositories) assess the risks of physical and electronic security threats
 - The actions these organizations have taken to mitigate these threats
- Information will be collected from
 - Listed and over-the-counter stock and options markets in New York, Chicago, San Francisco
 - Our methodology will include
 - Reviewing existing threat assessments and security procedures developed by these markets
 - Reviewing prior security-related reviews done by internal or external audit or consulting groups
 - Touring facilities and discussing procedures with security personnel and market participants
- To maintain confidentiality and protect sensitive information, product will be structured with a
 - Body section that presents only aggregated information taken from individual organizations and discloses only publicly-available information and
 - “limited official use” appendix or separate product that provides organization-specific details that would be provided only to (1) Chairman Oxley and Representatives LaFalce, Kanjorski, and Dingell; (2) SEC; and (3) individual SROs.